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Edison asks rate hike, sells share of A plant

By TIM RICHARD

Capital formation
That is the essence of Detroit Edison Co.'s two financial moves recently, though the consumer tends to think first about what it will add to his monthly bill.

In financial circles, there's a great deal about an expected shortage of investment capital in the decade or two ahead. To Edison, however, there is no dearth.

The southeastern Michigan investor-owned utility announced it will sell a 20 per cent interest in its Enrico Fermi No. 2 plant to two rural northern Michigan cooperatives. It is asking the Michigan Public Service Commission for a 12 per cent rate increase.

IN THE WORLD of finance, there are few ways to raise capital. You can issue stocks or bonds. Edison's complaint is that it can't raise much this way because its earnings are so poor.

Bonds must go for a high rate of interest in a market where interest rates are already sky-high.

You can save out of income. Account ants call it "retained earnings." But when your dividend rate is \$1.45 and you're earning only \$1.46 to \$1.50 compared to the \$2.00 of a few years back, it's tough to retain earnings. Hence the new rate increase request.

You can sell assets or take on a partner. That is what Edison is doing in selling a part interest of Fermi No. 2 to the North and West Michigan Electric Cooperative Inc. and Wolverine Electric Cooperative Inc.

THE SALE of the Fermi share seems to have caused Edison some anguish. Its press handbook called the step "ex-

Analysis

traordinary" and "indicative of the severe financial constraints the company has experienced and the lengths to which it is prepared to go in order to resume its badly needed power plant construction program."

The two cooperatives would pay Edison \$80 million, representing 20 per cent of the almost \$390 million already invested in the plant, and 20 per cent of subsequent construction costs as work progresses.

If the sale is finally approved, it would be the first time in Michigan that a cooperative and an investor-owned utility would take on a joint venture.

FROM THE PSC, Edison is asking rate increases that would produce \$130.4 million in additional revenue.

To put it in perspective, Edison in 1975 had operating revenue of just under \$1.1 billion.

Ernest L. Grove Jr., senior executive vice-president for finance, said the company must spend almost \$5 billion on new construction in the next six years (ENR-61).

Business at a Glance

ROBERT WOZNIAK of Birmingham, president of Bionis Champagnes & Wines, was re-elected to serve as president of the Michigan Wine Institute.

ANTHONY G. DE LORENZO of Birmingham, vice-president in charge of the public relations staff for GM, has been named a director of the Automotive Information Council.

RICHARD R. DANN of Bloomfield Hills, executive vice-president at Automobile Club of Michigan and the Insurance Group, has been named to the executive committee of the National Association of Independent Insurers.

WILLIAM T. GALVIN of Troy, former financial planning guest columnist for the Observer and Centric Newspapers, was the guest speaker at a general business meeting in Detroit.

JACK A. CUTHBERT, architect of Southfield and school administrator RICHARD CADARRETT of Southfield were installed as members of the Michigan Association of the Professions.

Qualifying for the 1975 Top Club of New York Life Insurance Co. were ALEXANDER CLARK CLU of Bloomfield Hills.

if it is to supply adequate and reliable electric power in the future.

The name of the game is "to attract investors. Rate relief is a vital step in that direction," said Grove.

THE FERMI PLANT, a nuclear facility near Monroe, was about 20 per cent completed in 1974 when construction was suspended because the company said it lacked money.

The sale agreement to the two cooperatives requires approval from state and federal regulatory agencies. That is expected by late summer. The boards of directors of the three utilities must also approve the sale.

Meanwhile, political winds are blowing that could affect Edison's plans.

A commission headed by Eastern Michigan University President James Brickley has recommended that the state get into the power generating business, leaving the utilities the role of retailing electricity.

And a group called Public Power, which got its impetus from the socialist Human Rights Party, is circulating petitions to get a state constitutional amendment and law to allow the state to take over Edison and Consumers Power Co.

JOHN H. GRIESEN of Orchard Lake and **AARON BROOKS**, **MELVYN W. FORMAN** and **CHARLES L. RENO**, all of Southfield.

GUNNAR BIRKERTS, with offices in Birmingham, received the Detroit Chapter American Institute of Architects Gold Medal.

DIANE E. ANKELE, daughter of Mr. and Mrs. William P. Ankole of West Bloomfield and **ARALYNN K. MARDIROSIAN**, daughter of Mr. and Mrs. Harry Mardirosof of Bloomfield Hills, have been selected for Michigan Bell's Initial Management Development Program designed to rapidly train and develop management employees during their first year on the job.

DR. SAMUEL C. URSU of Birmingham was awarded a fellowship of the Academy of General Dentistry at the academy's convention in Chicago.

JACKSON & MACLEAN Advertising has moved into new and larger offices at 2200 Providence Drive, Southfield.

FRED C. TRICH JR. of Troy, vice-president and general manager of the Food Division of J.L. Hudson Co., was elected chairman of the board of the Michigan Restaurant Association.

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in per cigarette, FTC Report Apr. 1976
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Some happy Chevette owners talk about their cars.



Jane Barlo,
Chevette owner.

661 was looking for a car that would save me gas and that's why I chose the Chevette. 99

40 MPG EPA Highway estimate, 28 MPG EPA City estimate. Chevette with standard 1.4-litre engine, 4-speed manual transmission and 3.70 axle ratio. Actual mileage may vary depending on the type of driving you do, your driving habits, your car's condition and available equipment. Sound like the kind of savings you could use?



Kevin Nichols,
Chevette owner.

66 It does everything they said it would do. Roomy, good gas mileage, not a rough ride for a small car. It's all right! 99

Chevette power teams are combinations of economy and efficiency. The standard engine is a 1.4-litre 4-cylinder overhead cam with the smoothness and quietness of hydraulic valve lifters. A zippier 1.6-litre engine is available. Standard transmission is a fully synchronized 4-speed manual. Turbo Hydra-matic is available.



Raymond Andrew,
Chevette owner.



Raymond Andrew,
Chevette owner.

661's very well appointed... It has a wonderful turning radius. 99

Chevette has one of the smallest turning circles of any car in the world. Just 30.2 feet. Something you'll appreciate as you park and move through city traffic. Steering is a responsive rack-and-pinion system.

661's bigger inside than I thought it would be... It's everything I thought it would be. 99

Chevette Coupe is the kind of car that just naturally makes people happy. Inside, it's got room for four people, with elbow and leg room to spare. Front seats are body-contoured buckets. The rear seat is full-foam, full-width.



Raymond Andrew, Chevette owner.

661's very well appointed... It has a wonderful turning radius. 99

Chevette has one of the smallest turning circles of any car in the world. Just 30.2 feet. Something you'll appreciate as you park and move through city traffic. Steering is a responsive rack-and-pinion system.



Louise Smith,
Chevette owner.

66 This is my first small car, and I like it very much. 99

Chevette is built to keep people who are happy with it happy for a long time to come. 17 different anti-corrosion methods are used in the building of its body: expensive epoxy paint, a wax base spray down underneath, galvanized metals, oil base coatings, zinc-rich primers, inner fender liners and other things to help every Chevette fight rust and wear.



Carol Harewood,
Chevette owner.

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